



# Civilian Personnel: What's New?

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## *Civilian Personnel: What's New?*

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- This workshop provides an overview of civilian personnel resource budgeting along with updates on the impact of current workforce initiatives:
  - Conversions from National Security Personnel System (NSPS) to prior pay systems
  - In-sourcing status and reporting requirements
  - Major DoD Headquarters Activity (MHA) authority
  - Acquisition Workforce
  - Department of Defense Acquisition Workforce Development Fund (DAWDF/Sec. 852)

# *Agenda*

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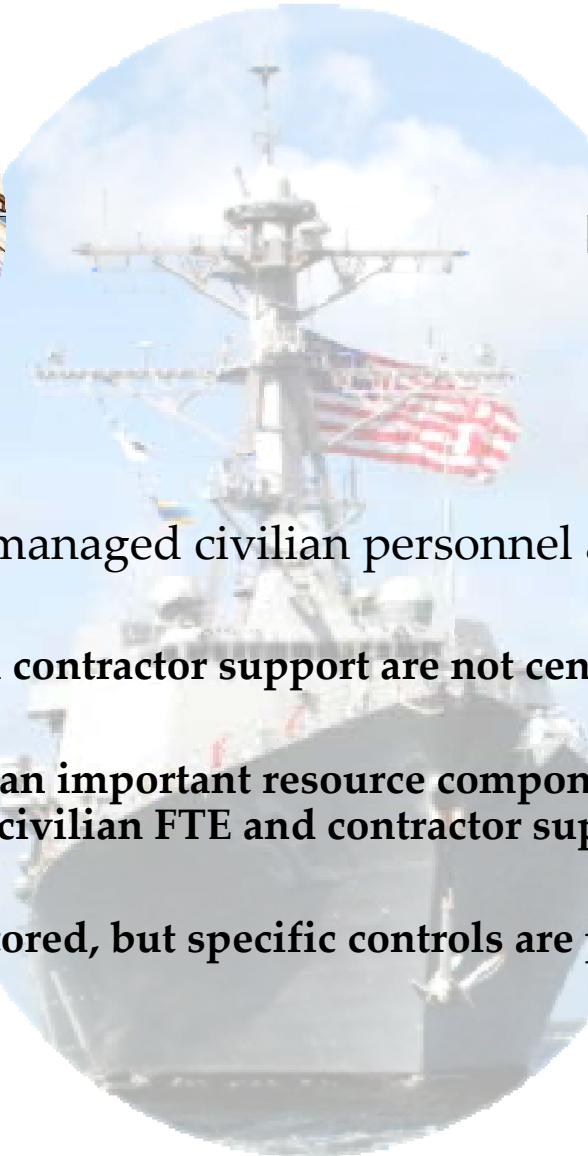
1. Introduction
2. Conversions from National Security Personnel System to prior pay systems
3. In-sourcing status and reporting requirements
4. Major DoD Headquarters Activity (MHA) authority
5. Acquisition Workforce/DAWDF

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# *Introduction*



# *Management of Civilian Personnel Resources*



The Department has long managed civilian personnel as a resource to accomplish mission.

- **Civilian personnel and contractor support are not centrally managed like military personnel.**
- **Civilian personnel are an important resource component in program execution. Commands may tailor civilian FTE and contractor support requirements to accomplish mission.**
- **FTE execution is monitored, but specific controls are prohibited.**

# *DoD Civilian Personnel Resource Funding*

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The DoD does not receive separate appropriations or accounts to fund civilian personnel.

The majority of DoD personnel costs are funded by the following appropriations/accounts:

- Operation and Maintenance
- Working Capital Funds and Revolving Funds
- Research, Development, Test & Evaluation
- Family Housing Operations
- Military Construction
- Foreign Military Sales
- Defense Health Program
- Department of Defense Education Appropriation (DoDEA)

# *CIVPERS Direct and Reimbursable Funding*

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- CIVPERS budget exhibits contain labor and non-labor costs that are recorded in separate object class codes.
- Direct funded CIVPERS means the original funding source is the respective appropriation/account. The following appropriations receive direct funds for civilians:
  - Operation and Maintenance
  - Research, Development, Test & Evaluation
  - Family Housing Operations
  - Military Construction
- Reimbursable funded CIVPERS means the source funding may or may not be the appropriation/fund in which the CIVPERS is executed. Source funding may include procurement and non-DON appropriations/accounts. The following appropriations/ accounts receive reimbursable funds for civilians:
  - Operation and Maintenance
  - Research, Development, Test & Evaluation
  - Family Housing Operations
  - Military Construction
  - Navy Working Capital Fund
  - Foreign Military Sales (MAE)

# *Reimbursable Funds*

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- Full Cost Recovery
  - Working Capital Funds (10 USC 2208)
    - Customer charged a stabilized rate
    - Rates include overhead expense
      - An accelerated labor rate is used to capture accrued liabilities for CIVPERS leave and benefits.
    - Military personnel costs reflected at civilian rate
    - Guidance in DoD FMR Vol. 2B, Chapter 9 and Vol. 11B
- Direct Cost Recovery
  - Mission funded activities cannot collect overhead costs
  - Provider of item/service collects direct cost only
    - Guidance in DoD FMB Vol. 11A
  - Non-DoD Customers may pay additional fees
    - Special rates to cover unbudgeted labor costs
    - Guidance and examples: DoD FMR Vol. 11A, Chapter 6

**Direct and reimbursable funds are reported separately  
in the OP-8, Civilian Personnel Costs exhibit.**



# Civilian Management

Historically no single office is responsible for all aspects of civilian personnel or contract support like military personnel.

	<u>Military</u>	<u>Civilian</u>	<u>Contract Support</u>
<b>Management</b>	BUPERS, RESFOR, M&RA	Executing Activities	Executing Activities
<b>Funding</b>	Centrally funded by applicable Military or Reserve appropriation	Mission funded by appropriations and funds (NWCF) available for operations	Tasks/end products funded by various appropriations depending on purpose
<b>Requirements Determination</b>	N1, MC Combat Development Command	Executing Activities	Executing Activities
<b>Statutory Controls</b>	Size and mix in annual National Defense Authorization Act	ES/FTE controls prohibited by 10 USDC 129	None. Advisory and assistance services and support contracts are Congressional special interest items.



# *Civilian Manpower Requirements*

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- Flow from mission of command/activity
- Inherently Governmental/Commercial Activity
  - OMB Circular A-76
  - Alternatives: Military to Civilian Conversions
- Major DoD Headquarters Activities (DODD 5100.17)
- Restrictions on ES/FTE Controls (10 USC 129)
- Emergency Essential (EE) Civilian Employees
- Triad: Military, Civilian, and/or Contractors



# Budget Formulation

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- Statutory: The Budget & Accounting Act of 1921
- Within DoD, **people** are probably the most expensive resource after major weapon systems and facilities.
  - Investment in people:
    - Training and development programs
    - Education
  - Three R's
    - Recruitment
    - Retention
    - Relocation
- Ultimately resources drive all decision making within an organization.
- The budget represents a point in time.





# *Budget Formulation*

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## OMB Circular A-11: Budgeting

- Estimating Personnel Compensation, Benefits, and Other Costs (Section 32)
  - Budgeting for within grade increases usually not allowed
- Estimating Employment Levels (Section 85)
  - Workforce planning and restructuring
  - Personnel estimates
- Structure of Civilian Personnel Budget (Section 83)
  - Object classes record obligations for items or services purchased by the Federal Government
    - 11 Personnel Compensation
    - 12 Personnel Benefits
    - 13 Benefits for Former Employees



# *Budget Formulation*

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## DoD Guidance

- Pricing/Inflation Factors
- Integrated Program and Budget Review

## Component Review

- Compliance with pricing/inflation guidance
- Review planned to actual execution for current and past fiscal years (i.e, utility rate, lapse rate, etc.)

## OSD-OMB Review

- Program Budget Decisions (PBD)
- Program Decision Memoranda (PDM)
- Resource Management Decisions (RMD)
- Baseline for President's Budget submit

## *Budgetary Impact*

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OSD/OMB limit total civilian personnel growth to the approved pricing factor. FY 2010 President's budget:

- FY09 = 3.9%
- FY10 = 2.0%
- FY11 and out = 2.3%

If Congress approves pay increases greater than the approved pricing factor, commands/activities usually absorb the additional payroll costs.

- NSPS Pay Pool amount increases, too.

Commands/activities with limited resources must make trade-offs

- Number of personnel
- Other mission responsibilities
- Adjust labor/non-labor split

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# *Conversion from National Security Personnel System (NSPS)*



# *NSPS Repeal – October 2009*

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FY 2010 National Defense Authorization Act. The repeal of the National Security Personnel System came as part of a compromise House and Senate members announced in their negotiations over the Defense Department authorization bill. The Defense Department will maintain more performance management and hiring flexibility than other federal agencies, but it must halt NSPS by the start of 2012 and it cannot enact a new pay-for-performance system without submitting detailed proposals to Congress for approval.

Employees converting to prior personnel systems will not lose any pay. Approximate average cost of \$600/person.

Majority of employees will convert to GS. New Scientific and Technology reinvention Laboratories (STRL) system, Acquisition Demo, and BUMED systems will be developed and designed.

- Federal Register notification required
- DFAS and DCPDS changes require 9-12 month lead-time
- DoD required to collect costs of conversions to GS or new systems



# *Filling NSPS vacancies during the NSPS Transition Period.*

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Positions filled after 1 March 2010:

- Placement of non-DoD individuals to positions previously covered by NSPS shall be under the General Schedule (GS) or other applicable non-NSPS statutory system.
- Placement of DoD non-NSPS employees to positions previously covered by NSPS shall be under the GS or other applicable non-NSPS statutory pay system.
- Placement of DOD NSPS employees to NSPS positions shall be under NSPS.
- Placement to an organization that has returned to GS or other applicable non-NSPS statutory pay system shall be made under the organization's applicable non-NSPS pay system.

Exceptions include laboratory and acquisition communities as well as physicians and dentists.



# NSPS Termination and Conversion

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- FY 2010 NDAA repealed NSPS directing all personnel to transition to the prior pay system by 1 Jan 2012 with save pay. Approximately 34% of DON civilians are in NSPS.
- Most of the ~67,000 DON civilians will transition to the GS system with a portion moving to newly designed demonstration systems primarily for acquisition and research and development activities; and, a newly designed system for medical personnel (Defense Health Program (DHP)).
  - Federal Registry Notices, OPM, and Congressional review are required prior to implementing new pay systems.
  - The first round of conversions begins summer 2010.
  - DoD will document the costs of the transition and implementation of new pay systems.
- Converting employees whose salaries are between GS steps will be placed on the higher step thereby preserving pay. Estimated total costs:

NSPS Conversion Funding						
\$ in 000						
	FY 10	FY 11	FY12	FY 13	FY 14	FY 15
Est. Costs	30,309	51,824	53,014	54,234	55,482	56,746



## *Funding for rewards and recognition – applies to transition year.*

### **NSPS**

#### Performance-Based Payouts (Pay Pool)

- Salary Increases
- Bonuses

#### Chapter 45 Awards

Funding Allocation\*      2.7%

2.7% of base pay based upon historical spending.

### **General Schedule**

#### Quality-Step Increases

#### Chapter 45 Awards

Funding Allocation    QSI = .2%

Bonus = 2.5%

NSPS PEO recommends 2.5% of base pay based upon historical spending plus .2% for QSIs.

NOTE: DON pricing uses Basic Compensation which includes base pay and locality pay; hence, 2.5% factor was normalized to 2.0% assuming average locality of 20%.

After the transition year, a minimum of 1.25% of salaries will be budgeted and executed for use in recognition and rewards.

# *Guidance for Interim Performance system.*

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- Performance plans shall include 3-5 objectives and standards aligned to mission and appropriate to the level of the position.
- At least one mid-year performance review and one year-end final discussion required
  - Performance improvement plan (PIP) required for unacceptable rating on any objective.
- Minimum appraisal period of 90 days under an approved performance plan for rating eligibility.
  - Carry forward and leverage NSPS objectives
- Objectives evaluated for recognition and rewards options
  - The average of the evaluation on ALL objectives acts as the gateway for varying levels of rewards and recognition.
- Two levels of summary ratings.
  - Acceptable
  - Unacceptable
- Unacceptable rating received if one or more objectives are evaluated at a 0.
  - Employees receiving an unacceptable rating are eligible for GPI but delay eligibility for a WIGI.
  - An unacceptable rating must be preceded by documented counseling and notice of failure to perform.
- Acceptable rating received if all objectives are evaluated at a 1 or better
  - Employees receiving an acceptable rating are eligible for GPI and WIGI.
  - Employees with an acceptable rating may be considered for further recognition and rewards.

**System applies to non-bargaining employees transitioning from NSPS to GS legacy personnel system.**

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# *Major DoD Headquarters Activity (MHA) Authority*

# *Department of the Navy MHA Policies and Procedures*

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- SECNAVINST 5000.3D, Department of the Navy (DON) Major Headquarters and Headquarters Support Activities (dated 26 June 2001), states
  - ASN(M&RA) is responsible for policy matters
  - ASN(FM&C) is responsible for all reporting matters—FMB4
  - CNO/CMC designate a single office with responsibility for MHA—N824
- FMB4/N824 is responsible for tracking and authorizing DON MHA requirements for military and civilian personnel.
  - All requests for increases or decreases in MHA authority should be:
    - Discussed with FMB4/N824 prior to final determinations (includes POM/PR issues as well as SECNAV/CNO/CMC initiatives)
    - Reflected in the next PB-22, Major DoD Headquarters Activities, exhibit submit
  - Commands are not authorized to maintain excess MHA authority
  - Points of Contact:
    - Ms. Janet Vernon, FMB42, 703-692-4824, [janet.vernon@navy.mil](mailto:janet.vernon@navy.mil)
    - Ms. Alicia Gibson, FMB423, 703-692-4831, [alicia.gibson@navy.mil](mailto:alicia.gibson@navy.mil)

## *Congressional Action: FY 2008 NDAA*

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- Repealed 10 USC 130a, the limitation on the total number of Departmental MHA
- New reporting requirements
  - Average number of military and civilian MHA employees
  - The total increase in MHA personnel attributable to:
    - Replacing contractors with military or civilian employees, to include replacing contractors performing inherently governmental functions
    - Other reasons such as workload or operational demand
  - An estimate of cost saving attributable to the elimination of contracts associated with MHA functions.
  - The number of military personnel and civilian employees assigned to each DoD Component as of October 1 of the preceding fiscal year.

**OSD has not issued necessary implementing guidance.**

## *Congressional Action: FY 2009 NDAA*

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- Provides exceptions to Title 10 USC 5014, the number of military and civilian personnel assigned to Departmental HQ, as well as the number of Flag/General Officers and Officers for FY 2009 and beyond.
  - Acquisition Workforce personnel hired under expedited hiring authority or the Acquisition Workforce Development Fund.
  - Personnel hired in a shortage category designated by SECDEF and OPM.
- For FY 2009–FY 2013, SECDEF or SECNAV may adjust baseline limitations in section 5014 to fill a gap in the civilian workforce identified in a strategic human capital plan submitted to the Congress as a result of the FY 2006, FY 2007 or FY 2008 NDAA.
- The baseline adjustments may not exceed 5 percent per fiscal year.
- Baseline adjustments may be made for the performance of the following:
  - Inherently governmental functions
  - Work pursuant to 10 USC 2463, guidelines and procedures for use of civilian employees to perform Department of Defense functions.
  - Ability to maintain organic expertise and technical capability.
  - Work of a critical nature that should be performed by military or civil service personnel.
- New reporting requirements for FY 2010-FY 2013. Report to be submitted with budget:
  - Average number of military, civilian, and contractor personnel assigned to or detailed on permanent duty in SECNAV, CNO, and HQMC
  - An estimate of the number of persons hired due to an exception listed above.
  - The amount of the adjustment to the 10 USC 5014 limitation.

**OSD has not issued necessary implementing guidance.**



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# *In-sourcing*

# *The In-sourcing Initiative*

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**The Federal Government has an overriding obligation to American taxpayers. It should perform its functions efficiently and effectively while ensuring that its actions result in the best value for the taxpayers....**

**President Barak Obama**

*Excerpt from Memorandum to Executive Departments and Agencies,  
Subject: Government Contracting, dated March 4, 2009*



**“This budget will support these goals by increasing the size of the defense acquisition workforce, converting 11,000 contractors and hiring an additional 9,000 government acquisition professionals by 2015 –beginning with 4,100 in FY 10.”**

**Secretary Gates**

*Excerpt from Secretary Gates’ Speech, April 6, 2009*

**Definition: In-sourcing is the conversion of any current contracted service/function to DoD civilian or military performance (or a combination thereof) in which a new civilian or military authorization/position is established.**

## *FY 2010 President's budget in-sourcing initiative.*

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RMD 802 of 8 April 2009 allocated DON in-sourcing FTE goals across the FYDP to return the DoD workforce (non-military) back to FY 2000 levels (pre-war) of 26 percent in FY 2000 vice 39 percent in FY 2009 for Contract Advisory and Assistance Services (CAAS) and Other Services.

OSD (P&R) assigned an FY 2010 ES goal of 2,411 and implemented quarterly reporting requirements. The DoD subsequently developed internal controls procedures where proposed changes in in-sourcing goals must be approved by DASN (CPP) and DASN (Budget). The FY 2010 distributions for in-sourcing FTE, ES and personnel dollars should align with the quarterly reports provide to DoD.

To ensure the DON is able to track assigned in-sourcing goals from PB-10, FTE, ES, and personnel funding are to be updated in PBIS in using new coding developed during the FY 2012/FY 2013 review.



# Department of the Navy (DON) In-Sourcing

- The DON effort will be led by the Assistant Secretary of the Navy (Manpower & Reserve Affairs) assisted by the ASN(FM&C), ASN(RD&A), and ASN(I&E); the Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC), with support from the Budget Submitting Offices (BSOs).
- In-sourcing resources cannot be used to fund or offset emergent programming or budgeting issues.
- All stakeholders are responsible for maintaining and achieving in-sourcing goals.
- For FY 2010-2015, all contract services' funding in object classes 2511 and 2521 was reduced. Issue 74547 reflects civilian personnel buyback and established FTE FYDP targets for each BSO. Issue 74549 restored contractor services funding from issue 74547 for support contracts.
- Due to time constraints, reductions were applied across all funding lines including lines in which no in-sourcing alternative exists and inadvertently realigned funds among resource sponsors. These issues will be addressed in an In-sourcing Review prior to the DON budget submit. A portion of these positions are targeted for acquisition professionals.
- The DON funding reductions and FTE share are as follows:

\$M	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Contractor Services Reduction	-293.5	-663.3	-1,161.4	-1,668.4	-1,833.6	-1,866.6
Buyback to Civilian FTEs	111.2	255.4	445.3	690.1	864.9	977.5
Support	<u>10.2</u>	<u>138.6</u>	<u>243.4</u>	<u>302.7</u>	<u>226.9</u>	<u>133.9</u>
"Net Savings"	-172.2	-269.3	-472.6	-675.6	-741.8	-755.1
# FTEs ( <i>direct +reimb</i> )	1,204	2,737	4,740	7,208	8,914	9,856

# BSO In-sourcing goals as of the FY 2010 and FY 2011 President's budgets.

FMB4  
BG 10-1F

## FY 2010 In-Sourcing Targets

<u>BSO</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
FSA	24	84	184	317	388	388	388	388
AAUSN	14	36	56	82	95	95	95	95
ONR	3	8	8	8	8	8	8	8
ONI	6	20	45	80	102	105	105	105
BUMED	0	0	0	0	0	0	0	0
NAVAIR	128	300	434	612	708	870	870	870
BUPERS	67	183	395	673	827	827	827	827
NAVSUP	2	10	23	38	46	46	46	46
NAVSEA	295	620	797	1,024	1,161	1,398	1,398	1,398
NAVFAC	0	1	2	3	4	4	4	4
MC	402	1,008	1,710	2,476	3,280	3,719	3,719	3,719
SSP	6	19	40	66	124	130	130	130
SPAWAR	58	94	200	338	371	414	414	414
NSMA	32	75	164	282	334	297	297	297
CNIC	7	86	226	413	501	590	590	590
FFC	38	69	199	368	451	451	451	451
PACFLT	93	66	199	370	456	456	456	456
RESFOR	3	6	6	6	6	6	6	6
SPECWAR	26	52	52	52	52	52	52	52
<b>Total</b>	<b>1,204</b>	<b>2,737</b>	<b>4,740</b>	<b>7,208</b>	<b>8,914</b>	<b>9,856</b>	<b>9,856</b>	<b>9,856</b>

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# *Acquisition Workforce*

# *Increases to the Acquisition Workforce*

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- Since the 1990's the Department of the Navy experienced a 40 percent decline in civilian employees along with a loss of some expertise. This has resulted in oversight deficiencies in several major acquisition programs; and, a renewed interest in the appropriate management of acquisition programs including implementation of 10 USC 2463, Guidelines and procedures for use of civilian employees to perform Department of Defense functions.
- Major portions of the Defense budget support acquisitions and the Department's success is based on the ability of personnel to develop, produce, field, and maintain weapon systems and related programs.
- Department of the Navy commands and activities must ensure sufficient acquisition workforce employees (civilian and military) are hired, trained, certified, and retained to carry on programs in the functional areas prescribed in 10 USC 1721. Using government employees will also alleviate the perception of undue influence by contractor staff and preserve inherently governmental functions and decision making.
- A portion of the in-sourcing positions are targeted for acquisition professionals.

## ***Impact of In-sourcing on Acquisition Workforce resulting in significant increases to “4B3N” Acquisition and Program Management line item.***

- The Department’s acquisition programs have suffered due to a lack of sufficiently trained and qualified in-house acquisition personnel which has impacted both readiness and workforce management capabilities.
- Contract services funding derived from the investment appropriations (APN, OPN, PANMC, some RDT&EN, SCN, & WPN) and designated for in-sourcing efforts will fund civilian personnel in the respective O&MN or O&MMC appropriation.
  - All headquarters and PEO personnel are financed by the appropriate expense account usually O&M. (See funding on prior page.)
  - Most PEO and program management personnel are financed in 4B3N.
- About 1/3 of functions to be in-sourced across the FYDP will result in acquisition (DAWIA certifiable) positions spanning all disciplines (i.e., program management, contracting, logistics, and systems engineering).
- Section 852/DAWDF funding will assist in the recruitment and retention of key personnel with critical skills. Chart reflects acquisition workforce increases budgeted for in-sourcing and Section 852 hires.

In-sourcing FTE Summary						
	FY 10	FY 11	FY12	FY 13	FY 14	FY 15
Acquisition	683	1,276	1,889	2,502	2,933	3,500
Non-Acq.	521	1,461	2,851	4,706	5,981	6,356
Total	1,204	2,737	4,740	7,208	8,914	9,856

Acquisition Workforce						
FTE						
	FY 10	FY 11	FY12	FY 13	FY 14	FY 15
In-sourcing	683	1,276	1,889	2,502	2,933	3,500
DAWDF	500	840	1,090	1,440	1,590	1,590
Total	1,183	2,116	2,979	3,942	4,523	5,090





# *Department of the Navy DAWDF Implementation*

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- Section 852 of the FY 2008 National Defense Authorization Act, Public Law 110-181, codified as Title 10 USC 1705, established the (DAWDF to provide funds in addition to other funds available for recruitment, training, and retention to ensure the acquisition workforce has the personnel and skills to perform its mission, provide oversight of contractor performance, and ensure the Department receives the best value for the expenditure of public resources.
- The fund may be comprised of appropriations and credits and are available for the fiscal year in which credited and for two fiscal years thereafter.
- The Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense Comptroller (USD(C)) manage the DAWDF. The Defense Acquisition University (DAU) is the DoD funds holder.
  - Funding may be requested in 11 acquisition workforce initiative categories:
    - Training Enhancement and Capacity Expansion
    - Comprehensive Acquisition Workforce and Student Information System
    - Competency Management and Assessments
    - Workforce Planning Pilot Program
    - Retention and Recognition Incentives
    - Career Broadening and Academic Programs
    - Intern Programs
    - Recruiting Incentives
    - Outreach Programs
    - Journeyman Hiring
    - Highly Qualified Experts (HQE's)
  - Funding may not be used to (1) pay contractors or contractor employees unless engaged in advanced training of DoD employees; (2) pay the base salary of any person employed by the DoD as of January 28, 2008; or (3) pay the base salary of persons employed in Navy Working Capital Fund activities except for funded orders necessary for the purposes in paragraph 4.a.(1) – (6).

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# Questions?

## *Links*

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1. DoD NSPS <http://www.cpms.osd.mil/nsps/>
2. DoD Budget includes links to DoD Components  
<http://www.defenselink.mil/comptroller/budgetindex.html>
3. DoD Financial Management Regulation 7000.14-R  
<http://www.defenselink.mil/comptroller/fmr/>
4. U.S. Budget <http://www.gpoaccess.gov/usbudget/>
5. Office of Management & Budget <http://www.whitehouse.gov/omb/>
6. Office of Personnel Management <http://www.opm.gov/>
7. DoD Issuances <http://www.dtic.mil/whs/directives/>
8. U.S. Code, Title 10 <http://www4.law.cornell.edu/uscode/#SECTIONS>